



**DEPARTMENT OF VETERANS AFFAIRS
Regional Loan Center
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May 31, 2006

Loan Guaranty Information Bulletin 26-06-08

SUBJ: Expenses for Preservation of Security and Liquidation in Arizona, California, and Nevada

WHAT IS THE PURPOSE OF THIS BULLETIN?

The purpose of this information bulletin is to set forth the minimum requirements for the preservation of security, as well as the maximum fees, that will be reimbursed for properties located in Arizona, California, and Nevada.

WHAT IS THE EFFECTIVE DATE?

This policy is effective immediately.

WHAT IS THE MORTGAGEES RESPONSIBILITY?

Mortgagees are expected to exercise the same level of diligence and prudence in protecting and preserving the Department of Veterans Affairs (VA) guaranteed properties that would be provided if they could look only to the security for recovery. Reasonable action must be taken to protect and preserve properties against potential damage or to stop progressive deterioration, within legal limits. Most security instruments have a provision to protect the property securing the loan. The removal of hazardous materials, the correction of hazardous conditions, and the avoidance of liens are primary concerns. When routine inspections reveal vacancies and conditions that require correction for health/safety reasons, immediate corrective action should be taken, especially if a local authority (city, county, state) has dictated abatement.

WHAT IS THE DURATION OF RESPONSIBILITY?

Holders are cautioned that they are not responsible for protective measures after custody of a property has been delivered to VA. No reimbursement will be made for preservation completed on or after the day of trustee sale; on or after the day the deed is recorded for a Deed-in-Lieu, or after any pre-established interest cut-off date.

WHAT IF THE PROPERTY IS NOT PROTECTED AND PRESERVED?

If a property is damaged because of the mortgagee's failure to take reasonable action to protect and preserve, the claim will be reduced accordingly. Failure to protect and preserve that results in a decreased value may also cause VA to decline to specify a bid amount. A mortgagee may utilize any individual or firm to accomplish protection and preservation services, but the mortgagee will remain fully responsible for the actions of its agent.

WHAT IF THE PROPERTY IS ABANDONED?

If a loan is more than 30 days delinquent and the property is abandoned, the holder must take appropriate action to protect the property from vandalism, damage by the elements, and other hazards. Abandonment must be reported within 15 days of confirmation. Expenses should be reasonable and necessary. Board-up should not be routine.

IS VA PRIOR APPROVAL NEEDED?

The holder is responsible for taking appropriate measures to protect and preserve the security for the loan. Determining what action is necessary to fulfill this obligation is the holder's decision, and it is independent of the amount of the costs that VA will reimburse. Prior approval for incurred expenses is not required and will not be given. If an expense is not covered by this bulletin, or there are unusual circumstances that support additional expense, you may submit justification with your claim for consideration.

WHAT EXPENSES WILL BE REIMBURSED?

At the time of claim payment, holders will be reimbursed for property inspections and preservation costs incurred before the interest cutoff date or foreclosure sale date, whichever occurs first. Invoices or receipts must be submitted with the claim showing the date service was performed. In the rare instance that expenses are incurred outside these guidelines, a well-documented request should be submitted with the claim for consideration.

Inspections: The holder shall inspect the property securing the loan:

- Whenever the holder becomes aware that the physical condition of the property may be in jeopardy,
- Once each month when a property is abandoned to prevent unnecessary deterioration due to vandalism or neglect,

- Before the 60th day of delinquency or before initiating action to liquidate a loan, whichever is earlier (unless a repayment agreement is in effect),
- Once each month after liquidation proceedings have been started, unless servicing information shows the property remains owner-occupied.

Preservation:

- **Debris - Interior:** Removal of debris from the interior of properties and/or interior cleaning is not required unless there may be a fire, safety, or health hazard. Hazardous cleaning materials must be removed from the premises.
- **Debris - Exterior:** Exterior debris that presents a safety or health hazard requires removal. Examples might include trash, fallen trees or limbs, junk, and abandoned vehicles.
- **Eyesores:** VA will not reimburse expenses incurred for the purpose of correcting “eyesore” or similar conditions. We expect lenders to accept their own community responsibility.
- **Lawns:** Mow lawns when properties are vacant. We will reimburse for lawn mowing occurring no more frequently than once every three weeks. Lawn service must include edging and removal of clippings after each cutting.
- **Locks:** Do not install new locks on exterior doors unless entry will be required by the holder prior to transfer of the property to VA; (to allow entry for appraiser or insurance adjuster, or to perform winterization).
- **Pools:** Swimming pools constitute a threat to life. In-ground pools should be drained, broom cleaned, and gates and fencing should be secured to prevent entrance to the pool area. Above-ground swimming pools should be drained, disassembled, and removed from the property. Portable hot tubs and spas should be drained.
- **Roofs:** If an inspection reveals that there is a leak in the roof that is causing damage to the property, temporary repairs for preservation of security should be made.
- **Windows and Doors:** Windows and doors should not be boarded unless the glass is broken, entry can be gained, or there is a high risk of damage from vandalism. Boarding must be accomplished using 5/8” exterior C/D grade plywood. Evidence of payment must specify the number, type, and dimensions of openings boarded.
- **Winterization:** Winterization can include disconnecting the water service, draining pipes and water heater, and installing antifreeze or similar material in toilet bowls and traps to prevent damage caused by freezing. In areas where freezing is a hazard, this normally should be done between October 1 and April 1. In areas where freezing is not a hazard, there will be no reimbursement for winterization.

Maximum Allowable Fees: Please refer to Attachments A and B for maximum allowable fees in Arizona, California, and Nevada.

WHO DO YOU CONTACT FOR MORE INFORMATION?

If you have any questions regarding this bulletin please contact Debra Paiva, Servicing Officer at 602-627-3080 or e-mail us at vavbapho/ro/lscgc@vba.va.gov.

SUSAN LLOYD
Acting, Loan Guaranty Officer

2 Attachments

Distribution: All Holders and Servicers

Rescission: Phoenix RLC LGIB 26-05-03 – Addendum, dated April 21, 2005 and
Phoenix RLC LGIB 26-05-03, dated April 1, 2005

Attachment A

MAXIMUM ALLOWABLE FEES FOR PROPERTY PRESERVATION

Property Preservation Costs

Arizona, California and Nevada

Boarding Windows (each)	\$ 80
Boarding Large or Double Windows (each)	\$100
Boarding Doors (each)	\$150
Boarding Patio Doors (each)	\$200
Debris Removal (interior)	\$150
Debris Removal (exterior)	\$300
Lawn Care (initial cut)	\$ 75
Lawn Care (re-cut)	\$ 50
Lock Change	\$ 60
Lock Change (each additional)	\$ 30
Locks (padlock/hasp)	\$ 25
Pool (swimming) Drained	\$150
Pool (spa/hot tub) Drained	\$ 75
Pool Drained and Disassembled (above ground)	\$300
Property Inspections	\$ 30
Roof (temporary repairs)	\$300
Winterization (Oct 1 thru Apr 1)	\$100

Attachment B

MAXIMUM ALLOWABLE EXPENSES FOR LIQUIDATION

Legal Fees

Judicial Foreclosure

Arizona	\$625
California	\$600
Nevada	\$600

Non-judicial Foreclosure

Arizona	\$625
California	\$600
Nevada	\$600

Arizona, California and Nevada

Deed in Lieu	\$350
Bankruptcy – Chapter 7	\$450
Bankruptcy – Chapter 13	\$650
Bankruptcy, Multiple Relief (each)	\$250

Foreclosure Expenses

Arizona, California and Nevada

Abstract	Actual
Bankruptcy Filing Fee	Actual
Liquidation Appraisal	\$425
Liquidation Appraisal Update	\$200
Mailings	Actual
Process Service	Actual
Publication	\$300
Posting	\$100
Recording	Actual
Sheriff Fee	Actual
Trustee Sale Guarantee (TSG)	Actual
Title Insurance Policy	Actual
Title Update	\$100
Title Search (Prelim SLMP)	\$125